

Office of the
Legislative Fiscal Analyst

FY 2004 Budget Analysis

Joint Appropriations Subcommittee for
Capital Facilities and Administrative Services

Statewide Information Technology Review

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1.0 Summary: Statewide Information Technology Review

Recognizing the growing impact of information technology on state services, the Executive Appropriations Committee resolved that the Capital Facilities and Administrative Services Subcommittee will specifically address major issues related to technology. The recommendations of the Capital Facilities and Administrative Services Appropriations Subcommittee shall be forwarded to presiding Appropriations Subcommittees for further consideration.

The State's Chief Information Officer estimates that more than \$125 million will be spent on information technology in fiscal year 2003.

State Agency	Dept's FY2000	Dept's FY2001	Dept's FY2002	Dept's FY2003
Year to year Comparative	Total IT <i>Actual</i>	Total IT <i>Actual</i>	Total IT <i>Actual</i>	Total IT <i>Budget</i>
Department IT Financials	Expenses	Expenses	Expenses	Dept. Appropriated
Department of Administrative Services	\$ 12,761,536	\$ 8,361,704	\$ 10,193,883	\$ 6,681,212
Department of Agriculture	\$ 542,615	\$ 635,062	\$ 672,210	\$ 702,031
Alcoholic Beverage Control (ABC)	\$ 743,436	\$ 1,566,573	\$ 1,733,702	\$ 1,674,827
Capitol Preservation Board	\$ 1,201	\$ 2	\$ 5,745	\$ -
Career Service Review Board	\$ 3,245	\$ 3,484	\$ 1,228	\$ 1,740
Department of Commerce	\$ 653,461	\$ 807,679	\$ 1,065,715	\$ 1,495,921
Department of Corrections (incl BOP)	\$ 6,734,518	\$ 6,651,873	\$ 6,793,190	\$ 5,038,041
Department of Community & Economic Dev.	\$ 1,940,138	\$ 2,131,101	\$ 3,249,615	\$ 2,392,742
Elected Officials (Gov, AG, Tr, SA, EI)	\$ 2,309,111	\$ 2,635,217	\$ 3,102,271	\$ 2,732,970
Dept of Environmental Quality	\$ 1,431,910	\$ 1,649,472	\$ 1,520,833	\$ 1,607,615
Financial Institutions	\$ 84,865	\$ 91,763	\$ 108,300	\$ 160,909
Department of Health (incl Health Policy Com)	\$ 8,683,572	\$ 10,124,543	\$ 11,530,921	\$ 9,747,961
Dept of Human Resource Mgt (DHRM)	\$ 1,157,918	\$ 1,103,933	\$ 1,127,269	\$ 891,543
Dept of Human Services (incl Youth Cor)	\$ 26,681,791	\$ 23,087,101	\$ 24,509,611	\$ 24,285,032
Insurance Department	\$ 591,227	\$ 767,791	\$ 520,436	\$ 391,966
Labor Commission	\$ 739,646	\$ 904,974	\$ 957,126	\$ 972,396
National Guard	\$ 426,734	\$ 550,561	\$ 631,581	\$ 633,787
Dept of Natural Resources	\$ 2,801,579	\$ 3,090,877	\$ 3,156,966	\$ 4,320,730
Dept of Public Safety	\$ 4,275,799	\$ 4,977,961	\$ 6,408,564	\$ 5,659,301
Public Service Commission (PSC)	\$ 27,912	\$ 31,085	\$ 32,198	\$ 78,700
Utah State Tax Commission	\$ 11,141,872	\$ 14,287,347	\$ 12,112,416	\$ 10,560,435
Utah Dept of Transportation (UDOT)	\$ 9,208,886	\$ 9,493,317	\$ 10,214,751	\$ 10,040,931
State Trust Lands(School & Inst. Trust Lands)	\$ 910,214	\$ 875,635	\$ 894,046	\$ 790,689
Dept of Workforce Services	\$ 19,716,692	\$ 22,536,325	\$ 28,160,591	\$ 34,611,971
Executive Branch Totals:	\$ 113,569,878	\$ 116,365,379	\$ 128,703,168	\$ 125,473,451

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¹ Windley, Phillip. *State of Utah Annual Technology Report*. November 20, 2002. Page 15.

2.0 Issues: Statewide Information Technology Review

2.1 Mandated Information Technology Savings

The 2002 Appropriations Act directed the state's Chief Information Officer (CIO) to identify \$2 million in information technology savings state-wide. The CIO and Cabinet were unsuccessful in identifying such savings. Instead, the CIO and Governor's Office of Planning and Budget (GOPB) allocated the \$2 million budget cut to programs throughout state government.

2.2 Enterprise Information Technology Management

Partially in pursuit of the \$2 million covered in item 2.1 above, Governor Leavitt and former Chief Information Officer (CIO) Phillip Windley developed a plan to reorganize information technology resources putting greater emphasis on enterprise-wide projects. The changes in some cases redirected agency resources, and in others added responsibility to already stretched resources.

2.3 Eliminate Subsidization of CIO by Executive Branch Agencies

Since fiscal year 2001, the Governor's Office of Planning and Budget has levied a surcharge on Executive Branch agencies to partially subsidize the operations of the Chief Information Officer. The Analyst recommends replacing this revenue transfer with General Fund resources in FY 2004. The Analyst further recommends moving the CIO into a separate line-item to provide greater financial accountability.

General Fund, One-time.....152,000

2.4 Electronic Resource and Eligibility Project (eRep)

The Utah Departments of Workforce Services, Human Services, and Health continue to develop an integrated system for determining social service program eligibility and managing government support for families and individuals. The Electronic Resource and Eligibility Project (eRep) initially focuses on Workforce Services clients, but the program's goal is to eliminate bureaucratic stovepipes and serve citizens-in-need regardless of government organizational structure. The Analyst recommends continued Legislative support for this program.

TANF Reserve Funds\$3,000,000

2.5 Maximizing Federal E-Rate Reimbursements

The federal E-Rate program reimburses schools and libraries for internet access costs. Utah ranks behind surrounding states in its success at tapping E-Rate reimbursements. The Analyst recommends improving coordination of E-Rate data collection and more aggressively pursuing end-to-end Internet services.

2.6 Status of New Statewide Payroll System

Since September, 2001, the Department of Administrative Services, Division of Finance has been developing a new statewide payroll system. Issues identified in three parallel tests of the new system will delay its implementation by six months and may result in more than \$100,000 in additional costs. Given the size of this project, and the critical importance of the payroll system, the Analyst supports the project steering committee's plan to delay implementation until March, 2003.

2.7 Sale of State Computer System

The Utah Department of Corrections has developed a database and associated application for tracking inmates, parolees, and other offenders. Corrections proposes selling a portion of this system to the State of Idaho for \$100,000. The Analyst does not oppose this sale, but has questions regarding the implications of selling the State's intellectual property without budgetary review.

3.1 Mandated Information Technology Savings

Recommendation

The Analyst recommends that all appropriations subcommittees review the programmatic impacts of a negative \$2 million allocation made by the Chief Information Officer (CIO) and Governor's Office of Planning and Budget (GOPB).

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
Financing				
General Fund		(2,000,000)		2,000,000
Total	\$0	(\$2,000,000)	\$0	\$2,000,000
Expenditures				
Other Charges/Pass Thru		(2,000,000)		2,000,000
Total	\$0	(\$2,000,000)	\$0	\$2,000,000

*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

Background

During the 2002 General Session, the Legislature appropriated a negative \$2 million to the Division of Finance – Mandated account. The cut anticipated savings from a pending executive branch information technology consolidation. The appropriation included intent language stating:

“It is the intent of the Legislature that the Chief Information Officer identify General Fund information technology savings in state agencies and transfer the amount to the Division of Finance - Finance Mandated - Information Technology Consolidation to offset the negative appropriation.”²

The CIO and cabinet departments could not identify specific information technology savings or program efficiencies to achieve the \$2 million savings. Instead, the CIO and GOPB allocated the \$2 million cut based upon a weighted average of information technology budgets in the state (see table). Cuts will thus likely come from state programs other than technology.³

Given that these savings were not realized through technology related cost cutting or productivity improvements as originally intended by the Legislature, the programmatic impacts of these cuts are unknown. The Analyst recommends that individual appropriations subcommittees review cuts and their impacts on programs on a case-by-case basis.

² Utah State Legislature. *Appropriations Act* (SB 1, 2002 General Session). P. 17. Item 54.

³ Windley, Phillip. Comments before the Utah Information Technology Commission. August 22, 2002.

Allocation of FY 2003 \$2,000,000 General Fund Information Technology Cut

Agy	Fund	Agency Name	Allocation Based on FY 2003 Total IT Budget					
			FY2003 Total IT Budget	GF/SF/ TF %	FY 2003 IT Budget from GF/SF/TF	Percent of Total	General Fund Reduction Amount	
Executive Offices and Criminal Justice								
050	100	State Treasurer	79,300	53%	42,000	0.08%	1,600	
060	100	Governor's Office	1,622,600	70%	1,135,800	2.06%	41,200	
080	100	Attorney General	793,000	53%	420,300	0.76%	15,200	
090	100	State Auditor	61,400	100%	61,400	0.11%	2,200	
180	100	Public Safety	5,496,200	69%	3,792,400	6.87%	137,400	
410	100	Adult Corrections	4,386,300	100%	4,386,300	7.95%	159,000	
410	100	Board of Pardons	121,700	100%	121,700	0.22%	4,400	
200	100	Youth Corrections	1,107,600	86%	952,500	1.73%	34,600	
Capital Facilities and Administrative Services								
030	230	Capitol Preservation Board	4,400	100%	4,400	0.00%	-	
100	100	Administrative Services	5,371,800	76%	4,082,600	7.40%	148,000	
Commerce and Revenue								
120	100	Tax Commission	9,601,300	86%	8,257,100	14.97%	299,400	
600	100	Workforce Services	32,861,600	15%	4,929,200	8.96%	179,200	
650	505	Alcoholic Beverage Control	1,635,400	0%	-	0.00%	-	
660	100	Labor Commission	1,059,500	82%	868,800	1.57%	31,400	
670	100	Commerce	1,471,500	0%	-	0.00%	-	
680	100	Financial Institutions	157,600	0%	-	0.00%	-	
690	100	Insurance	543,100	87%	472,500	0.86%	17,200	
700	100	Public Service Commission	78,700	100%	78,700	0.14%	2,800	
Economic Development and Human Resources								
130	100	Career Service Review Board	1,800	100%	1,800	0.00%	-	
140	100	Human Resource Management	948,000	100%	948,000	1.72%	34,400	
710	100	Community & Economic Development	1,135,100	76%	862,700	1.56%	31,200	
Health and Human Services								
200	100	Human Services	20,411,000	49%	10,001,400	18.13%	362,600	
270	100	Health	10,114,900	41%	4,147,100	7.52%	150,400	
Transportation and Environmental Quality								
190	100	National Guard	644,700	30%	193,400	0.35%	7,000	
480	100	Environmental Quality	1,562,500	35%	546,900	0.99%	19,800	
810	280	Transportation	9,139,600	78%	7,128,900	12.92%	258,400	
Natural Resources								
550	530	Trust Lands	738,900	0%	-	0.00%	-	
560	100	Natural Resources	3,693,500	38%	1,403,500	2.54%	50,800	
570	100	Agriculture	431,000	75%	323,300	0.59%	11,800	
Total			116,638,600	47%	55,162,700	100.00%	2,000,000	
Note 1:			Funding source percentage is based on allocation of the FY 2003 one percent COLA except for Workforce Services (DWS).					
		DWS's total federal funding of 15% is being used instead of their one percent COLA of 4%.						
Note 2:			Budgets were taken from FINET before the special session and then adjusted for cuts during the Fifth Special Session.					
		FY2003 IT Budget = FY 2003 IT non-personal services budget + FY2002 actual IT personal service expense.						
Note 3:			Public Education, Higher Education, Courts, and the Legislature are not included in the ITS allocation.					

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⁴ Windley, Phillip. Presentation to the Utah Information Technology Commission. August 22, 2002.

3.2 Enterprise Information Technology Management

Recommendation The Analyst recommends that appropriations subcommittees review the impact upon agency base budgets of the Governor's enterprise information technology reorganization.

Fiscal Impact of Proposed IT Consolidation As Outlined in August 2, 2002 Dear Colleague Letter from Governor Michael O. Leavitt	
Item 1: Cabinet As Governing IT and eGovernment Board of Executives The Cabinet currently serves this function informally. No fiscal impact.	
Item 2: Organization of CIO's Office	
Assistant State CIO Positions	\$437,000
Deputy CIO for IT	\$132,900
Deputy CIO for eGovernment	<u>\$132,900</u>
Subtotal	<u>\$702,800</u>
Item 3: Establishment of Enterprise Projects Additional costs and/or savings may result depending upon scope of enterprise projects.	
Item 4: Appointment of Enterprise Executive 10 Enterprise Executives (1 for each project identified)	\$189,300
Item 5: Creation of Enterprise Project Steering Committee Costs assumed offset by savings from Item 7. No fiscal impact.	
Item 6: ITPSC Executive Branch Membership Reconstituted Negligible savings as IT personnel replaced by business personnel.	
Item 7: UECC Disbanded. Savings assumed offset by costs from Item 5. No fiscal impact.	
Item 8: Continued Emphasis on Business Needs Policy statement. No fiscal impact.	
Item 9: Communicate, Communicate, Communicate Policy statement. No fiscal impact.	
Item 10: ITS Responsibilities Additional costs and/or savings may result depending upon scope of enterprise projects.	
Total Fiscal Impact	<u><u>\$892,100</u></u>

Background

As noted in item 3.1, during the 2002 General Session, the Legislature appropriated a negative \$2 million to the Division of Finance – Mandated account. The Legislature's action anticipated savings from a pending executive branch information technology consolidation.⁵

⁵ Utah State Legislature. *Appropriations Act* (SB 1, 2002 General Session). P. 17. Item 54.

In an August 2, 2002 “Dear Colleague” letter, Governor Michael O. Leavitt announced the policy results of this consolidation initiative. The letter states that “the following organization changes will be implemented by September 1, 2002:...Each cabinet level department will designate a person as an Assistant State CIO...Create Deputy CIO (DCIO) for IT Position...Create Deputy CIO for eGovernment Position.”⁶ In addition, the letter directed the “appointment of enterprise executive(s)” for at least 10 enterprise projects.⁷

According to an estimate of fiscal impact presented to the Utah Information Technology Commission on September 19, 2002, the Consolidation would cost state agencies an estimated \$892,100 in new positions, increased salaries, and/or opportunity costs.⁸

The Analyst recommends that each appropriations subcommittee review this issue to determine impacts upon the programs and services within the subcommittee’s purview.

⁶ Leavitt, Michael O. Letter to Colleagues. August 2, 2002.

⁷ *Ibid.*

⁸ Ball, Jonathan C. *Fiscal Impact of Proposed IT Consolidation*. Presentation to the Utah Information Technology Commission. September 19, 2002.

3.3 Programs: Chief Information Officer (CIO)

Recommendation

The Analyst recommends \$533,400 for the Chief Information Officer as detailed in the table below. This reflects a transfer of \$381,400 from the Governor's Office of Planning and Budget main line-item, as well as an increase of \$152,000 in one-time General Fund revenue.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
Financing				
General Fund			381,400	381,400
General Fund, One-time			152,000	152,000
Total	\$0	\$0	\$533,400	\$533,400
Expenditures				
Personal Services			486,400	486,400
In-State Travel			900	900
Out of State Travel			8,200	8,200
Current Expense			13,200	13,200
DP Current Expense			24,700	24,700
Total	\$0	\$0	\$533,400	\$533,400
FTE/Other				
Total FTE			5	5

*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

Purpose

The Chief Information Officer “is responsible for vision, strategy, direction, guidelines, policies, planning, coordination, and oversight for information technology for all of the executive branch agencies of our State government. The CIO reports to the Governor, and is a member of the Governor's Senior Staff, Cabinet Council, and works with department and IT executives across the state. The CIO chairs the State's Information and Technology Policy and Strategy Committee, which sets policy and strategy for IT statewide.”⁹

Create separate line-item for greater accountability

In previous years, the Governor's Office of Planning and Budget (GOPB) main line-item, Information Technology program subsumed the office of the Chief Information Officer (CIO). The GOPB Information Technology Program provides local area network and desktop computer support for GOPB. The Chief Information Officer develops policy and vision statements for information technology statewide. The two functions are not directly related.

With the exposure given the Office of the Chief Information Officer during the 2002 Interim, the Analyst recommends moving the Chief Information Officer function into this separate line-item. The CIO's office will continue to be housed by GOPB, as directed in statute.

⁹ *State of Utah Chief Information Officer*. January 25, 2003. www.cio.utah.gov.

*End assessment on
state agencies for
CIO oversight*

Since fiscal year 2001, the Chief Information Officers' operations were subsidized by assessments upon other agencies of state government. The assessments were achieved using "Revenue Transfers" appropriated by the Legislature. A list of sources for those transfers is included below.

	Analyst FY 2004 Base	Analyst FY 2004 Changes	Analyst FY 2004 Total
Financing			
Transfers - Administrative Services	11,000	(11,000)	
Transfers - Commerce	2,000	(2,000)	
Transfers - Corrections	9,000	(9,000)	
Transfers - Department of Community an	2,000	(2,000)	
Transfers - Environmental Quality	2,000	(2,000)	
Transfers - Health	14,000	(14,000)	
Transfers - Human Resource Mgt	1,000	(1,000)	
Transfers - Human Services	28,000	(28,000)	
Transfers - Insurance	2,000	(2,000)	
Transfers - Natural Resources	4,000	(4,000)	
Transfers - Public Safety	10,000	(10,000)	
Transfers - Transportation	12,000	(12,000)	
Transfers - Utah State Tax Commission	17,000	(17,000)	
Transfers - Workforce Services	38,000	(38,000)	
Total	\$152,000	(\$152,000)	\$0

*Executive
Appropriations
directed
subcommittees to
review and correct
improper transfers*

In October, 2002, the Executive Appropriations Committee reviewed the use of Revenue Transfers statewide. The Committee directed appropriations subcommittees to "review Revenue Transfers on a case-by-case basis to determine those occasions in which Revenue Transfers would be more properly characterized as reallocations. In such cases, the Analyst recommends that subcommittees submit to the Executive Appropriations Committee negative appropriations from one or more line items and equally offsetting positive appropriations in other line items."¹⁰

The Analyst believes the revenue transfers used by the Chief Information Officer are more accurately characterized as reallocations. As the Budgetary Procedures Act constrains movement of funds across line-item, the Analyst recommends the Legislature discontinue appropriating Revenue Transfers to the Chief Information Officer.

*Appropriate new
funds rather than
reducing donor
budgets*

The Analyst does not recommend reducing donor budgets by the amount of their former assessment because the sources of these transfers may have included more than free revenue. Instead, the Analyst recommends providing one-time General Funds directly to the CIO to cover the expenses previously paid with transfers.

The Analyst further recommends that the Legislature include the following intent language in the 2003 Appropriations Act:

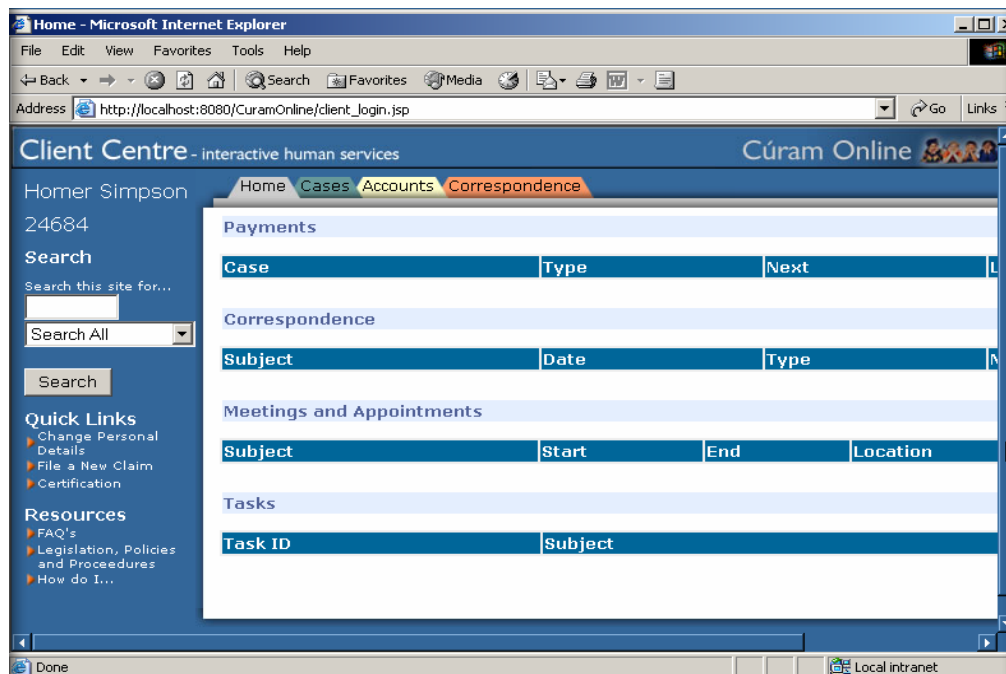
¹⁰ Walther, Kevin et al. *Requested Budget Issues: A Report on Restricted Fund Balances and Revenue Transfers*. Office of the Legislative Fiscal Analyst. September 17, 2002. Page 3.

It is the intent of the Legislature that, should a comprehensive review of Division of Information Technology Services costs, products, and rates result in ongoing savings to the General Fund of at least \$452,000 beginning in FY 2005 or prior, the Office of the Legislative Fiscal Analyst shall recommend to the Legislature an ongoing General Fund appropriation increase of \$152,000 beginning in FY 2005 for the Chief Information Officer.

3.4 Electronic Resource and Eligibility Product (eRep)

Recommendation

The Analyst recommends \$3,000,000 from TANF Reserve Funds for the Department of Workforce Services' Electronic Resource and Eligibility Product (eRep).



Background

In an attempt to serve citizens across government organizational structure, Utah's three primary social service agencies are collaborating on the Electronic Resource and Eligibility Product (eRep). The Departments of Workforce Services (DWS), Human Services (DHS), and Health (DOH) plan a web-based application that "provides accurate timely and consistent eligibility outcomes for economic, health-related and other supportive services and assistance."¹¹ The Agencies' initial focus with regard to eRep is upon Temporary Assistance for Needy Families (TANF) and child care. Their ultimate goal includes the above programs plus Food Stamps, Medicaid, and General Assistance, Foster Care, Adoption, and potentially more aid programs.

*eRep is first step to
"no wrong door"
policy*

eRep may ultimately lead to instances in which an individual or family could interface with any one of the state's social service providers, or even a school counselor, and determine in one sitting the individual or family's eligibility for assistance from the Department of Workforce Services, the Department of Human Services, and the Department of Health.

¹¹ Laws, Connie. *eRep Overview*. Presentation to the Eligibility Conference. October, 2002.

eRep's emphasis on collaboration pre-dates the Governor's Enterprise vision.

Governor Leavitt adopted eRep as an "Enterprise Project" in October, 2002. However, its history in cross-agency collaboration predates the Governor's enterprise vision. Rather than an "enterprise project" that serves a majority of state government – like email, a web portal, networking, and telephones – eRep may be more accurately described as a "domain" project. As such, the "Domain Chief Information Officer" in charge of eRep works to eliminate stove-pipes among a small number of agencies with similar goals.

In this case, Enterprise Executive ("Domain CIO") Connie Laws began work on eRep more than a year prior to the Governor's emphasis on enterprise architecture.

Planning for eRep began in April, 2001, when the Department of Workforce Services initiated a "gap analysis" to determine to what extent their current system – the Public Assistance Case Management Information System (PACMIS) – met evolving business needs. DWS found that PACMIS met only 50% of the state's needs, and relied heavily on operator expertise to implement business rules.

In March, 2002, the Legislature authorized expenditure of expiring TANF Reserve Funds on an eRep modules for TANF and child care. In August of 2002, the eRep Core Team signed a \$29 million contract with IBM to develop and implement a solution.

eRep leverages sunk investment with state-of-the-art technology

eRep uses a three-tier technology architecture. Users, whether they be aid recipients or case workers, log-on to a World Wide Web browser based interface from any computer with Internet access. Business rules, generated to mirror state and federal statutes and regulations, execute using Cúram applications on a middle-tier Unix based server. Data about the client and about individual social service programs, resides on the state's mainframe in IBM's DB2. This approach allows Utah to utilize current technology while continuing to leverage its investment in legacy infrastructure.

The eRep Core Team's spent \$639,300 on eRep in FY 2002 and estimates expenditure of \$25,630,700 in FY 2003. Its ambitious time-line calls for the first application to be in production during October, 2003, with full implementation of the TANF and Child-Care modules by March, 2004.

3.5 Maximizing Federal E-Rate Discounts

Recommendation The Analyst recommends that the Legislature direct the State Office of Education to collect from school districts data on telecommunications costs as a separate object of expenditure. The Analyst further recommends that USOE investigate the use of surveys to more accurately measure National School Lunch Program eligibility. These measures, combined with initiatives already underway at the Utah Education Network, will help maximize Utah's reimbursement under the federal E-Rate program.

Background E-Rate is a \$2.25 billion federal subsidy of telecommunications services for schools and libraries. It was established in the Telecommunications Act of 1996 and has been regulated by the Federal Communications Commission since 1997. It discounts between 20% and 90% of telecommunications line and equipment charges, depending upon socioeconomic strata and demographics of populations served.

Applicants must follow a complicated three to four step process prescribed by the FCC in order to receive funds. They must acquire service through a competitive process and develop a technology plan. They are reimbursed after services have been provided and associated costs paid.

Reimbursement rates and qualifying expenses are predicated upon participation in the free and reduced price National School Lunch Program (NSLP). "Priority One" schools, those with less than 75% participation in NSLP, qualify for discounts on local and long distance phone charges, data circuit charges, and internet service/e-mail costs. "Priority Two" institutions further qualify for discounts on wiring, installation, maintenance, and equipment costs related to telecommunications.

UEN plays a crucial role in statewide E-Rate participation

In the past, E-Rate has also reimbursed states for "end-to-end service." In these cases, institutions or consortia have purchase service, including costs associated with depreciation of equipment, from commercial vendors. These costs are then partially reimbursed by E-Rate.

Utah can increase its E-Rate reimbursements an estimated \$1 - \$2 million by insuring that all schools: apply for and receive E-Rate awards; carefully account for telecommunications costs; accurately collect and report NSLP qualification levels; and pursue, where appropriate, end-to-end services.

The Utah Education Network (UEN) currently coordinates school districts' application for E-Rate, and consults district managers on E-Rates administrative requirements. UEN has further committed to more aggressively pursue end-to-end service contracts. However, UEN and the State Office of Education must work together to improve telecommunications cost accounting and NSLP eligibility measurement.

3.6 Status of New Statewide Payroll System

Recommendation

The Analyst support's the Payroll System Steering Committee's decision to delay implementation of a new payroll system until March 3, 2003. However, the Analyst notes that further delays may result in additional cost overruns.

	2002	2003	2004	Est/Analyst
Financing	Estimated	Estimated	Analyst	Difference
General Fund		191,100	386,800	195,700
IT Innovation Program	400,000			
Risk Management Retained Earnings	1,836,400			
Sale of Assets to ITS	469,600			
ISF Overhead Allocation	100,000			
Beginning Nonlapsing	1,200,000	1,640,000		(1,640,000)
Closing Nonlapsing	(1,640,000)			
Total	\$2,366,000	\$1,831,100	\$386,800	(\$1,444,300)
Expenditures				
Payroll System Replacement	2,366,000	1,831,100	386,800	(1,444,300)
Total	\$2,366,000	\$1,831,100	\$386,800	(\$1,444,300)

*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

Purpose

The Division of Finance began work on a new payroll system in September, 2001. The system will use a personal computer client and business rules developed by SAP with an Oracle database. It will allow employees direct access to payroll functions such as tax changes, benefits information, time and attendance recording, and pay history. The program will replace a thirty year old mainframe application, and is intended to streamline payroll related functions increasing productivity statewide.

Background

The \$4 million project began with a grant from the Information Technology Innovation Program, and received a supplemental authorization from the Legislature in FY 2002 using nonlapsing balances and Workers Compensation retained earnings. It was originally scheduled for full implementation in September 2002.

Using three tests run in parallel with the State's existing payroll system, the Division of Finance and its contractor have successfully identified and resolved a number of issues that generated errors in the new system. However, these issues have delayed implementation of the new system twice. The first launch date in September, 2002 slipped to December, 2002, and a more recent decision pushed implementation to March, 2003.

Further delays will mean additional direct costs

Resolution of the new system's errors has cost approximately \$100,000 on top of the system's budgeted \$288,400 contingency. These costs, related to contractor incidental expenses, are in addition to the cost of payroll clerks' time entering data into two systems during testing. Contractor salaries are covered by the contractor.

Given the critical nature of this application, the Analyst supports the steering committee's decision to delay implementation of the Payroll system. However, the Analyst cautions that postponement beyond March, 2003 could result in significant cost overruns.

3.7 Sale of State Computer System

Recommendation	<p>The Analyst does not oppose sale of the Department of Corrections' Offender Tracking System to the State of Idaho. However, the Analyst is concerned about a lack of financial controls over "in-kind" transactions such as that being proposed by Corrections in this case. The Analyst is further concerned about the Department's appraisal of the system's worth -- \$100,000.</p>
Background	<p>In 1999, the Department of Corrections replaced its legacy computer program, known as the Offender Based Statistical Comparison Information System (OBSCIS), with the Offender Tracking System (O-Track) at a cost of more than \$5 million plus in-house labor.</p> <p>O-Track modules include "F-Track" - which tracks individuals on parole, "I-Track" - which tracks sex offenders, Offender Management and Offender Accounting modules for use in the State's prisons, as well as Case Management and Biometrics interfaces. O-Track was developed by Corrections in conjunction with contractor Infomix (purchased by IBM in 2002). It includes a Sybase database and custom applications coded with Powerbuilder.</p>
<i>Corrections sold the system to two other states in 1999 - after legislative review</i>	<p>In 1998 and 1999, Corrections and Informix successfully marketed the system to Alaska and New Mexico. During the 1999 General Session, the Legislature reviewed Corrections' proposed sale and directed the department to use its proceeds to supplant an ongoing \$400,000 General Fund appropriation. At that time, Correction estimated that the Alaska and New Mexico sales would generate more than \$1 million. The proceeds would take the form of credit for programming hours from contractor Informix.</p> <p>The Legislative Fiscal Analyst was not able to obtain from the state's Division of Finance an accounting of revenue or expenditure from O-Track's sale. The Analyst was further unable to determine from the State's financial system whether Corrections had sold additional O-Tack modules to New Mexico and Alaska, or whether it had sold the asset to others.</p>
<i>Lacking financial controls on sales of this type may result in undervaluation of asset to be sold</i>	<p>The Analyst is concerned by this lack of financial control. While the Department of Corrections may carefully tally its financial transactions regarding O-Track, this information is not part of the state's financial system, was not included in the Department's budget request, and has not been reviewed by appropriators since 2000.</p> <p>The Analyst believes that the Department of Corrections undervalues this software system. The Analyst's best guess at Utah's cost for O-Track is \$7 million. Yet, Corrections proposes to sell it for \$100,000. However, given the lack of financial data described above, it is difficult to determine the true value of the system.</p>

*Statute may not
address sale of state
intellectual property*

Finally, the Analyst questions under what authority the Executive Branch disposes of intellectual property such as O-Track. Utah Administrative Code Rule R365-3 states that “a state agency may sell or otherwise transfer the right, title and interest in any state- developed computer software.”¹² It does not require that the agency report the sale to the Legislature, or record its proceeds in the state’s financial system. Further, Utah Administrative Code does not site the statute under which the disposition is authorized.

Legislative General Counsel is investigating what statutes, if any, control the sale of state-owned intellectual property. A cursory review found no directly applicable laws. As such, this issue may require statutory change to assure proper accountability in the future.

¹² Utah Administrative Code R365-3-6(2).